

# BPA's Corporate General & Administrative and Shared Services Costs

*August 25, 2004*

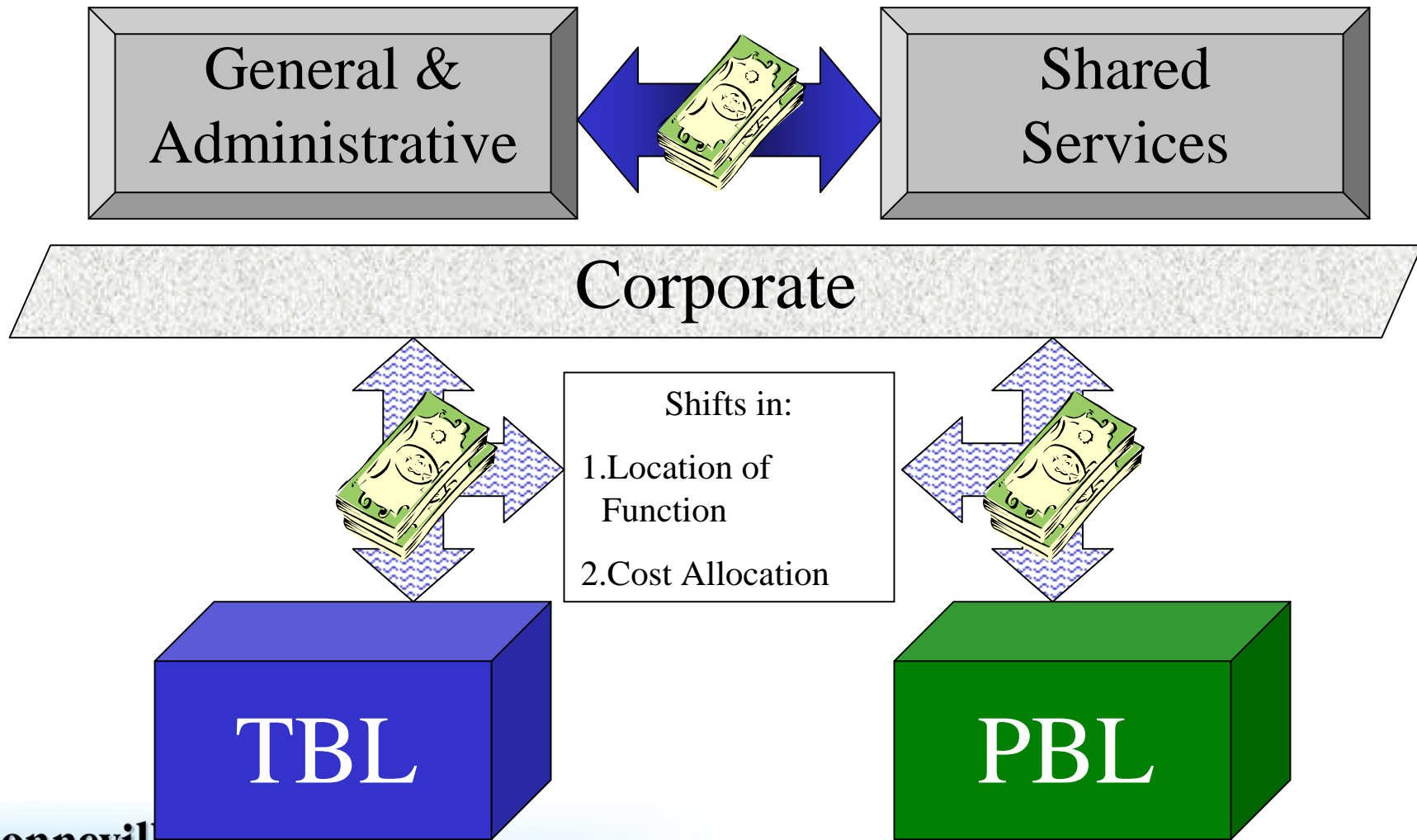
# Agenda

- Introduction & Welcome (Madonna Radcliff)
- Overview of Corporate & Shared Services (Terry Esvelt)
  - Organizational Structure
  - BPA FTE
- Detailed Look at Corporate (Bryan Crawford & Kelly Kintz)
  - Cost Allocation Methodologies
  - Functional Overview
  - Budget/FTE Detail
- Detailed Look at Shared Services (Jill Banks)
  - Functional Descriptions
  - Budget and FTE
  - Cost Assignment Methodologies
- Looking Forward (Terry Esvelt)

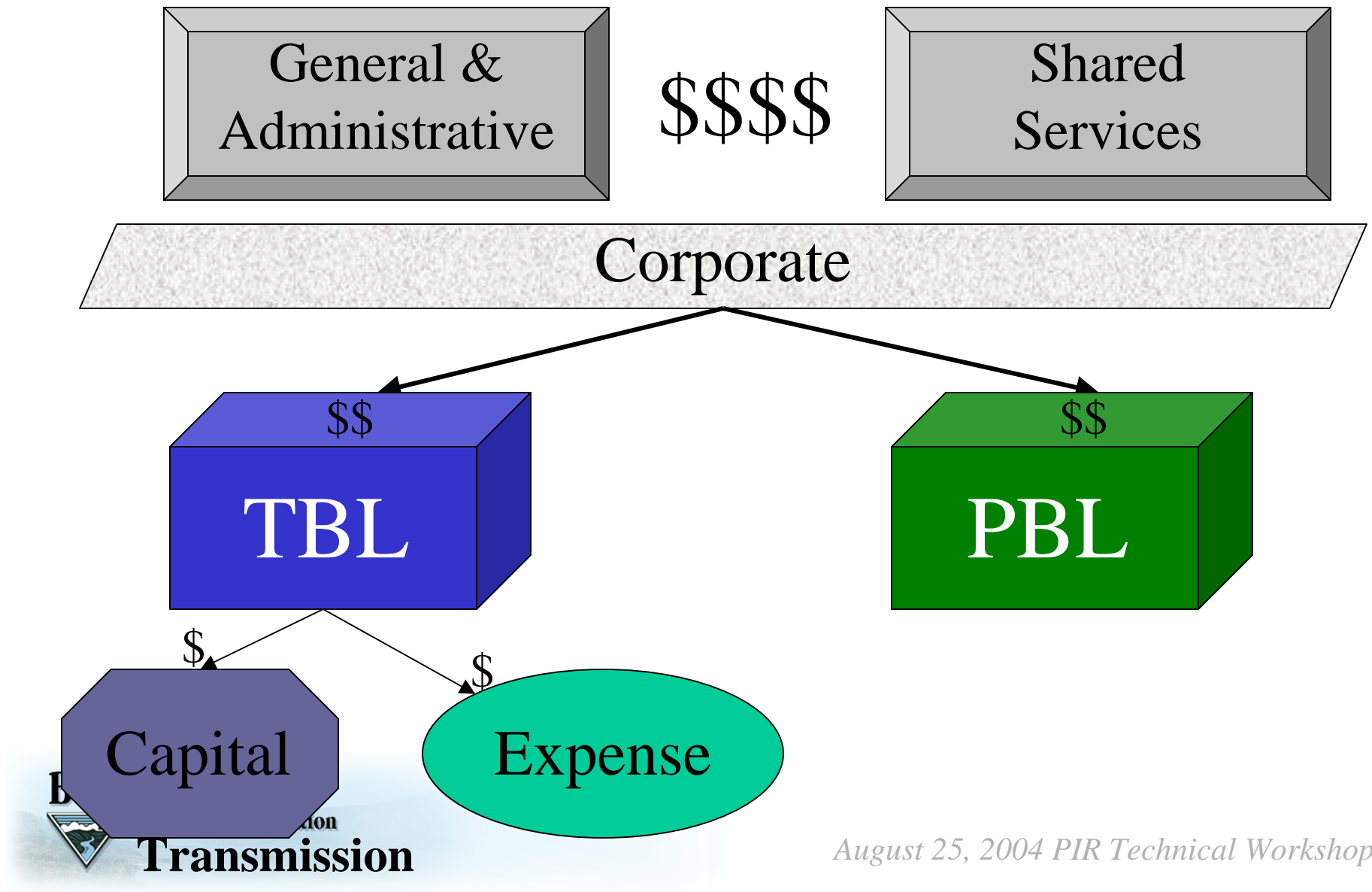
# Objectives

- Promote better understanding of BPA corporate and shared services organizations – who they are, what they do, their historic and projected costs, and how their costs are recovered by transmission rates.
- Describe how overhead functions and costs are managed at BPA – how costs and service requirements are determined, how costs are reported and managed, how decisions are made and implemented.
- Outline future direction of corporate and shared services activities – what changes are expected due to:
  1. The KEMA benchmarking study
  2. Moving towards “One-BPA”

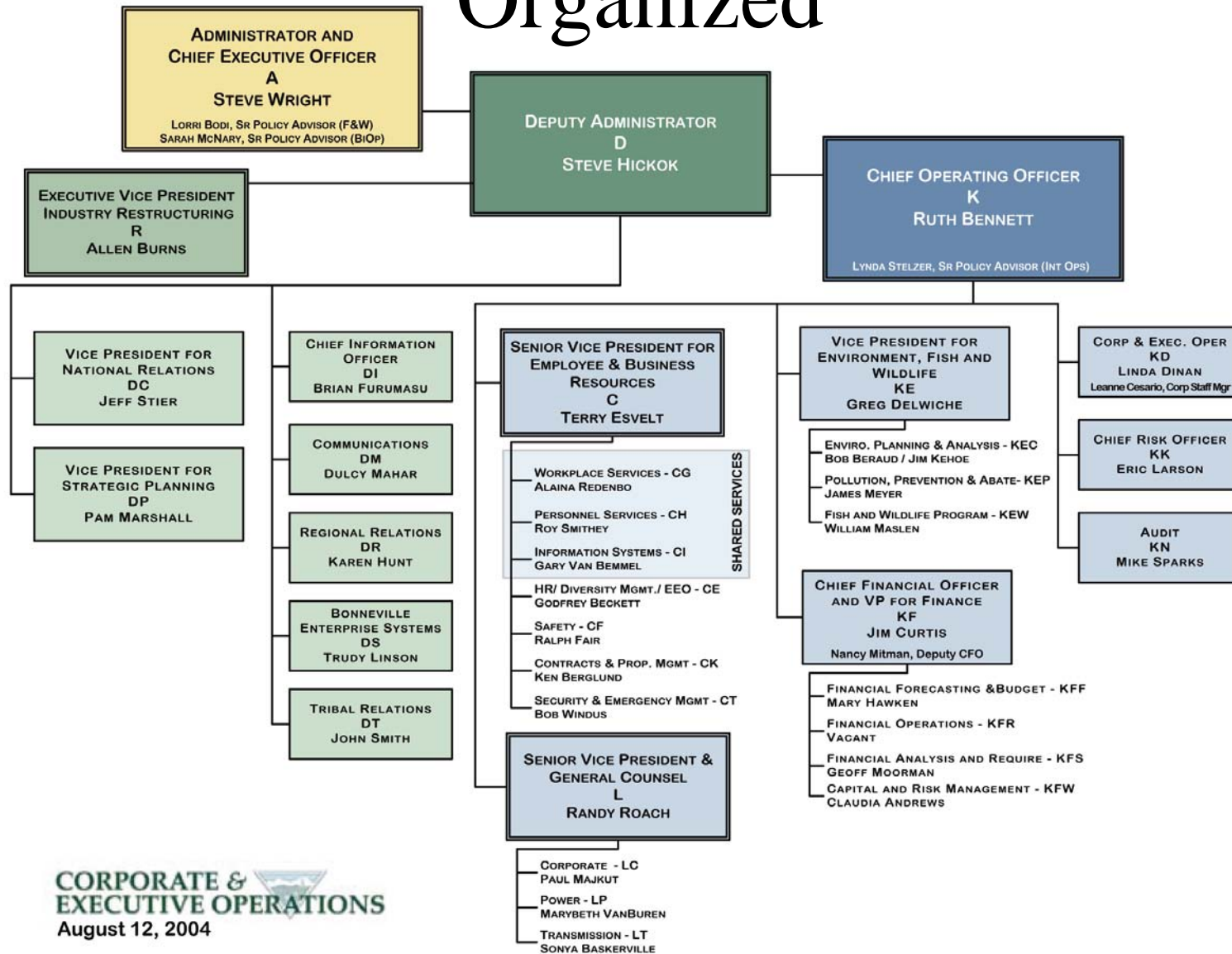
# Evolving Nature of Corporate



# Downstream Flow of Corporate



# Who We Are and How We Are Organized

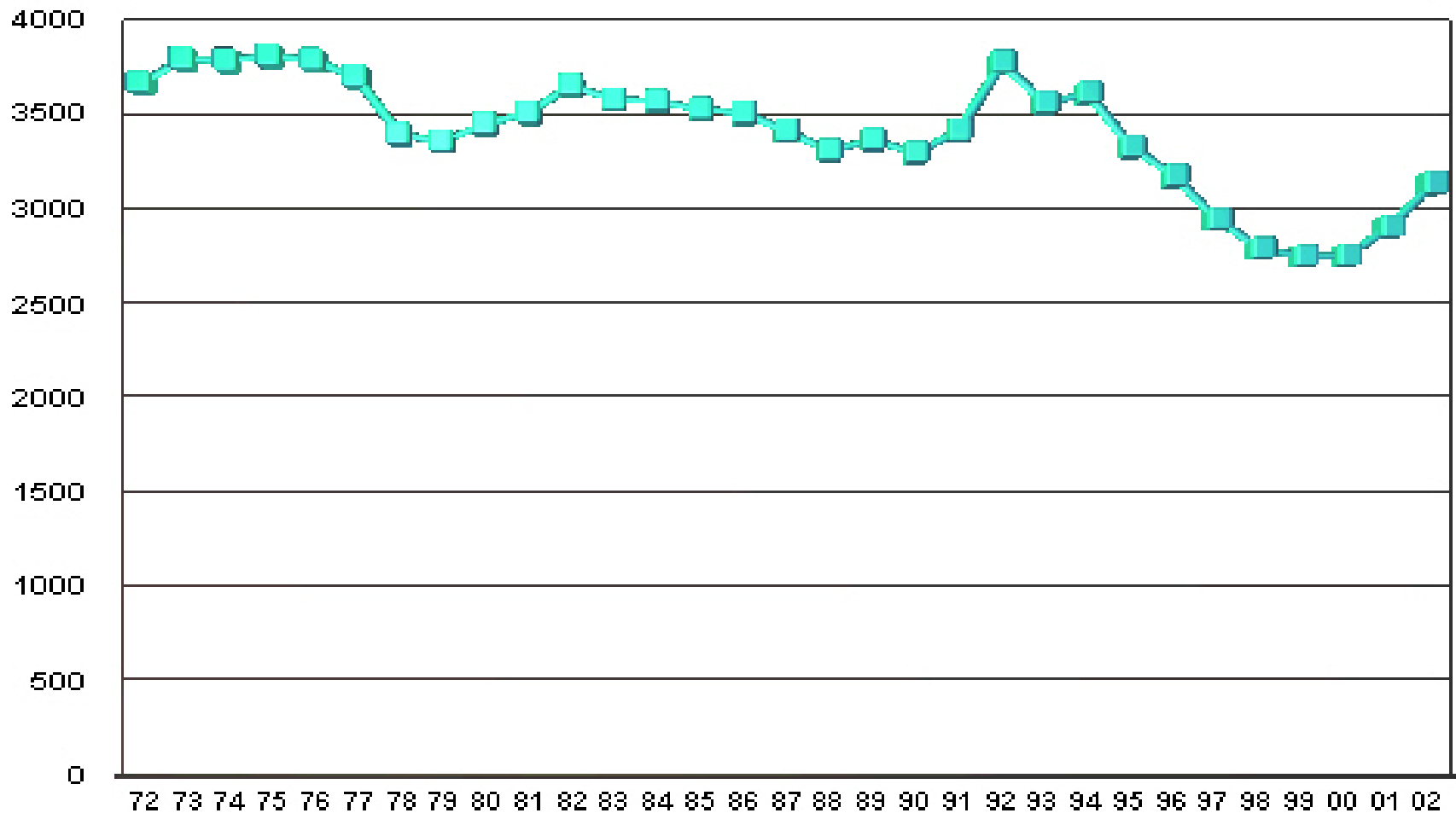


**CORPORATE & EXECUTIVE OPERATIONS**  
 August 12, 2004

**Transmission**

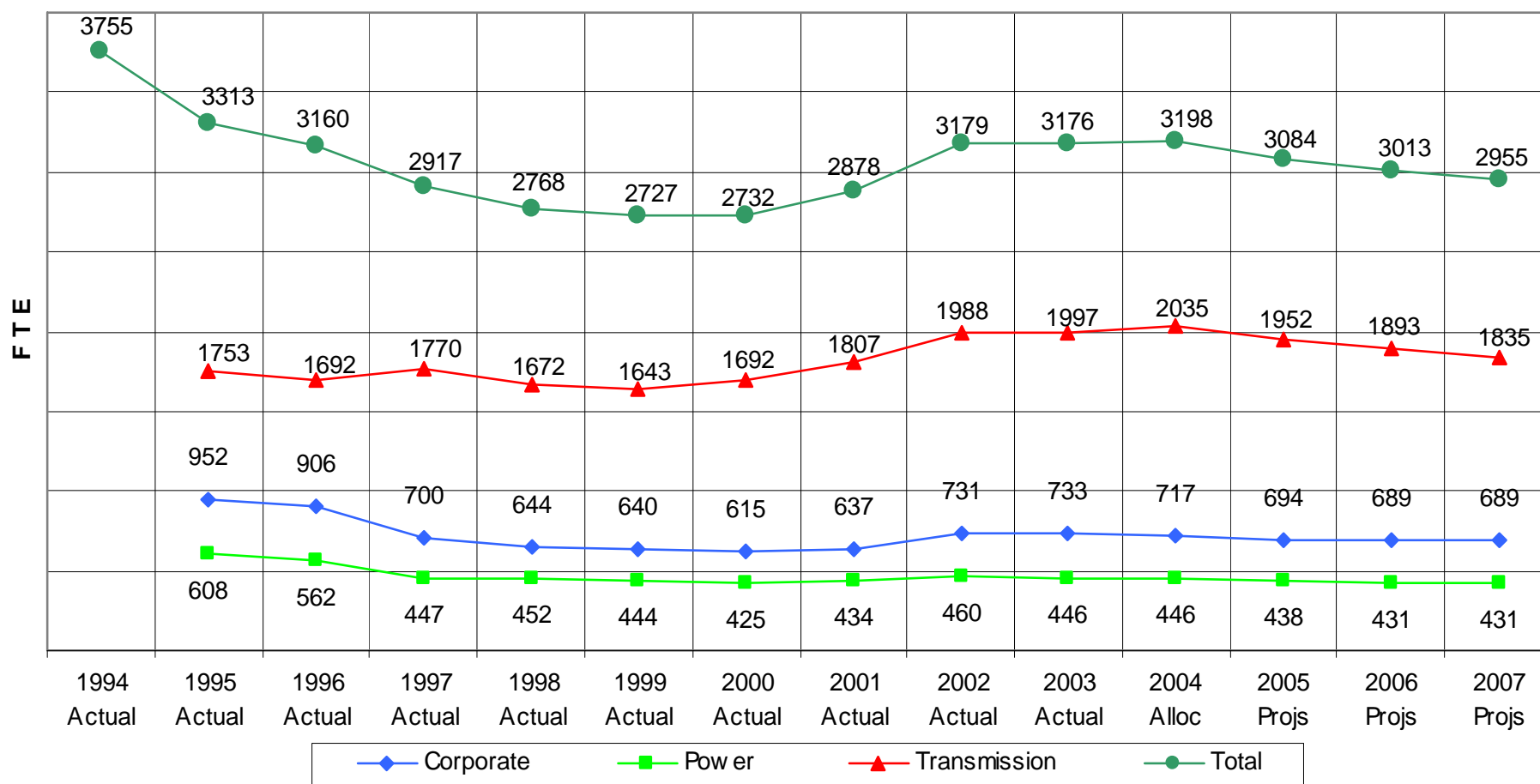
August 25, 2004 PIR Technical Workshop 6

# BPA FTE: 1972 to 2002



# BPA FTE: 1994 to 2007

As of August 3, 2004, FTE Allocations 1994-2007 Updated, (Pre-IT- Re-Org)

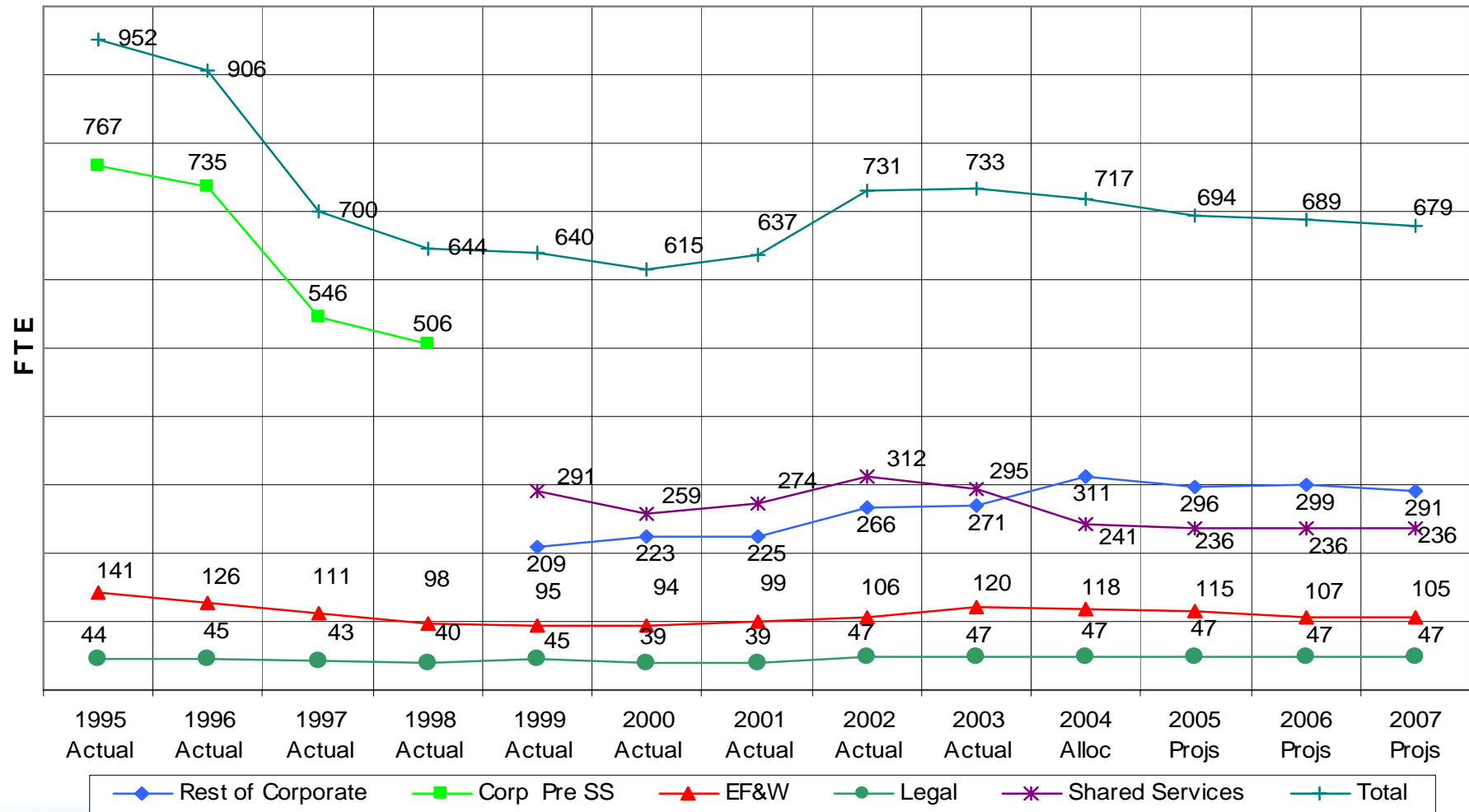


Note: Corporate/Shared Services represents about 22% of the total BPA workforce



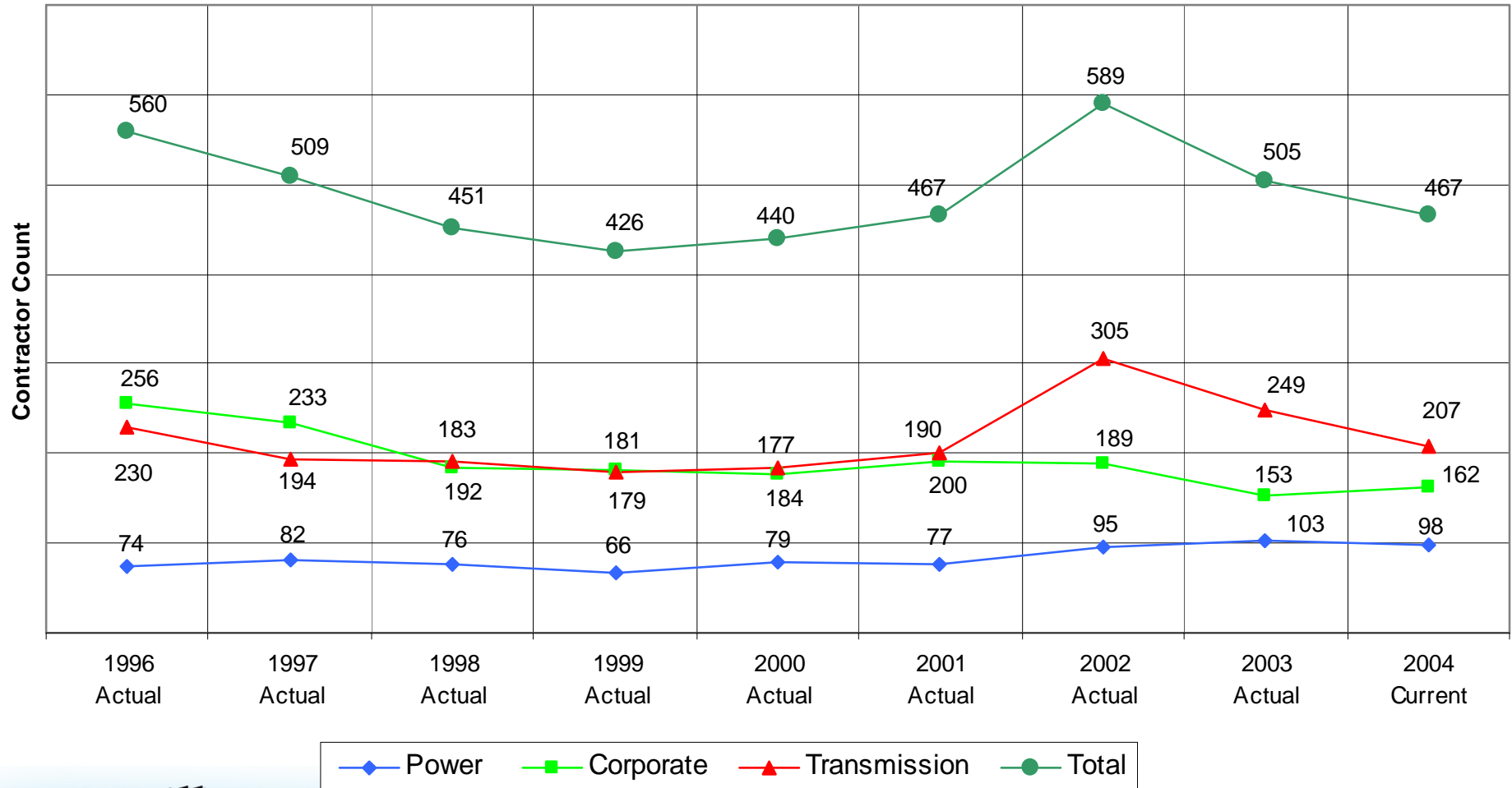
# Corporate FTE: 1995 to 2007

As of Aug 3, 2004, FTE Allocations Updated; (Pre-IT Re-Org)



# Contractor FTE: 1996 to 2004

As of August 10, 2004



# Corporate G&A Cost and Allocation Methodologies

# Overview of G&A Cost Allocations

- Objectives
  - Establish guiding principles
  - Provide example methodologies
  - Shared services concept
  - General and administrative
- Guiding Principles
  - Methodologies are equitable and fair
  - Methodologies represent a causal relationship to the services provided
  - Methodologies are defensible in a rate setting environment
  - Methodologies are defensible with our auditors
  - Methodologies are implementable and cost effective
- Methodology Examples
  - Revenue Based – gross revenue, operating revenue, etc.
  - Expense Based – forecast budgets, targets, prior year actuals, etc.
  - Traditional Distribution – labor, materials, FTE, direction of effort, etc.
  - Even Allocation – costs pool spread among number of benefactors.

# Overview of G&A Cost Pools

The General and Administrative cost pools are those areas that serve the general purpose of agency support functions and where the shared services concept has not been implemented.

- Functions performed do not have a consistent, measurable method of assigning support costs directly to the benefactor.
- Functions are general in nature and do not change regardless of changes in traditional alternatives (i.e. FTE levels, etc.).
- Precision in alternative measures result in cost prohibitive accumulation of costs associated with the activity.
- Lack of causal relationship to benefactors prevents a clear distinction for assigning those costs.

# Bonneville Cost Allocations: G&A

**The current General and Administrative cost pools can be summarized in the following six areas:**

- Safety Allocation – administering safety program, safety training, accident investigation, etc.
  - Allocation base – Direction of Effort 7% Corporate, 5% PBL, 88% TBL
- Security Allocation – building security, emergency services, crime witness program
  - Allocation base – Direction of Effort - FTE – 21.4% Corporate, 17.6% PBL, 61% TBL
- BES Allocation – Business Enterprise solution, Bonneville’s Enterprise Resources Planning System
  - Allocation base – Direction of Effort – analysis of use – 30% to PBL and 70% to TBL
- Industry Restructuring – GridWest development and Standard Market Design (SMD) issues
  - Allocation base – Direction of Effort – 40% to PBL and 60% to TBL
- Risk Management – risk analysis and management services for both PBL & TBL
  - Allocation base – Direction of Effort – 73% to PBL and 27% to TBL
- Corporate Cost Pool – Executive Office, Employee and Business Resources, Chief Financial Officer, Legal, Chief Information Officer, Audit, Strategic Planning
  - Allocation base – Even Allocation – 50% PBL, 50% TBL

# Cost Allocations Exceptions: Direct Charging

- Although the costs of the offices performing G&A type functions are allocated, we have exceptions to the general rule due to more causal relationship with the activities performed. Examples include:
  - Legal – Rates Attorneys assigned specifically to BL's, etc.
  - Slice Audit – direct reimbursement of 100% costs incurred.
  - Risk Management's "Back Office" – function directly related to Power Sale transactions.
  - WNP-3 Settlement Exchange Agreement – contract administration and O&M exhibits results directly associated with the PBL.

# The Future of TBL Expenses

## Corporate General & Administrative and Shared Services

(\$Millions, Does not reflect IT re-organization)

Description	FY 2004	FY 2005	FY 2005 Revised	FY 2006	FY 2006 Revised	FY 2007	FY 2007 Revised
1 Civil Service Retirement System (CSRS)	15.5	13.3	13.3	11.6	11.6	10.6	10.6
2 Corporate G&A	23.1	24.1	24.1	25.5	25.5	25.4	25.4
3 Corporate Shared Services	27.0	22.9	25.7	22.8	25.7	23.4	29.2
4 <b>Totals</b>	<b>65.6</b>	<b>60.3</b>	<b>64.7</b>	<b>59.8</b>	<b>63.5</b>	<b>59.4</b>	<b>67.2</b>

\* Corporate Shared Services costs are forecasted to drop slightly from the FY2004 level over the next two years and then increase in FY2007. It appears that the original PIR forecast for Shared Services contained incomplete information.

\* Corporate G&A is forecasted to increase slightly over the next three years.

\* There may be a shifting of costs from Shared Services to Corporate G&A related to the reorganization of Information Technology to the Corporate Office.



# FY 04-07 Corporate Costs

## All Corporate G&A by Organization (Pre-IT reorg)

	FY 05 FTE	FY 2004	FY 2005	FY 2006	FY 2007
<b>Executive Office</b>	3	\$735,836	\$644,204	\$658,970	\$678,739
<b>Deputy Administrator</b>					
Deputy Administrator	5	\$1,787,514	\$1,747,729	\$1,773,953	\$1,827,172
National Relations	5	\$1,083,696	\$1,115,493	\$1,137,964	\$1,172,103
Office of CIO	13	\$3,098,223	\$3,236,453	\$3,308,058	\$3,241,752
Communications	19	\$2,389,219	\$2,443,908	\$2,502,021	\$2,629,076
Strategic Planning	5	\$1,189,910	\$1,279,671	\$1,302,622	\$1,341,701
Regional Relations	11	\$10,612,488	\$10,782,053	\$10,738,323	\$11,060,473
Business Enterprise System	31	\$7,719,266	\$7,368,927	\$7,493,071	\$7,717,863
Tribal Relations	4	\$551,233	\$563,472	\$573,579	\$590,787
Industry Restructuring	10	\$3,956,302	\$3,568,379	\$4,710,417	\$4,213,097
<b>Employee and Business Resources</b>					
Employee and Business Resources	6	\$886,112	\$921,196	\$949,674	\$978,165
Human Resources Div & EEO	13	\$1,928,007	\$1,839,663	\$1,632,526	\$1,681,502
Safety	14	\$2,116,069	\$2,187,509	\$2,246,505	\$2,313,900
Contracts and Property Mngmt	5.5	\$862,768	\$793,049	\$720,464	\$742,078
Security	13	\$5,103,211	\$5,183,632	\$5,292,347	\$5,451,117
<b>Chief Operating Officer</b>					
Chief Operating Officer	6	\$1,081,602	\$1,042,325	\$1,064,198	\$1,096,124
Chief Financial Officer	96	\$12,210,233	\$12,470,636	\$12,752,537	\$13,135,113
Chief Risk Officer	21	\$3,314,994	\$3,414,444	\$3,516,877	\$3,622,383
Internal Audit	12	\$1,655,451	\$1,696,158	\$1,557,201	\$1,603,917
<b>General Counsel</b>	47	\$2,680,835	\$2,757,340	\$2,809,853	\$2,894,148
<b>Corporate Expense Total</b>	<b>339.5</b>	<b>\$64,962,969</b>	<b>\$65,056,241</b>	<b>\$66,741,160</b>	<b>\$67,991,210</b>

This information has been made publicly available by BPA on 8/25/04 and is consistent with the August 28, 2003 SNCRAAC workshop.

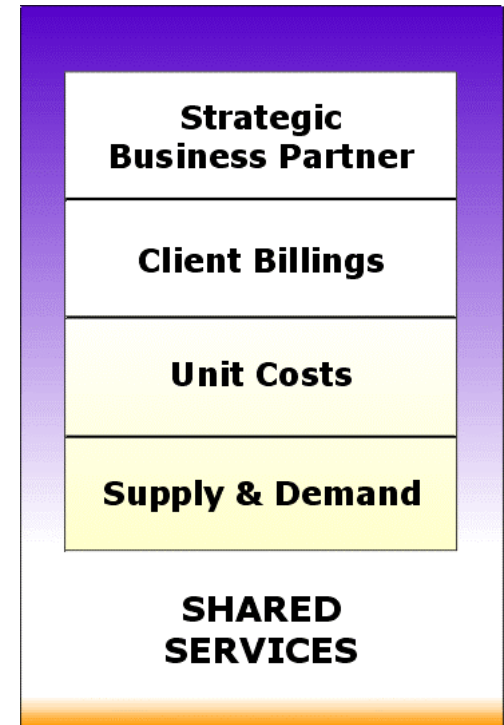
# Corporate G&A Conclusions

- Corporate G&A costs are allocated to the TBL based on methodologies that are:
  - equitable and fair,
  - tied to causal relationships,
  - defensible in rate setting and with external auditors, and
  - cost effective.
- Not considering the upcoming IT consolidation, Corporate FTE is projected to remain flat for the FY 05-07 period.
- Overall, Corporate G&A costs are forecast to grow by less than 1% in FY-05, 2.6% in FY-06 and 1.9% in FY-07 for an overall three year growth of only 4.6%.

# Shared Services Costs to Transmission Business Line

# The Shared Services Business Model

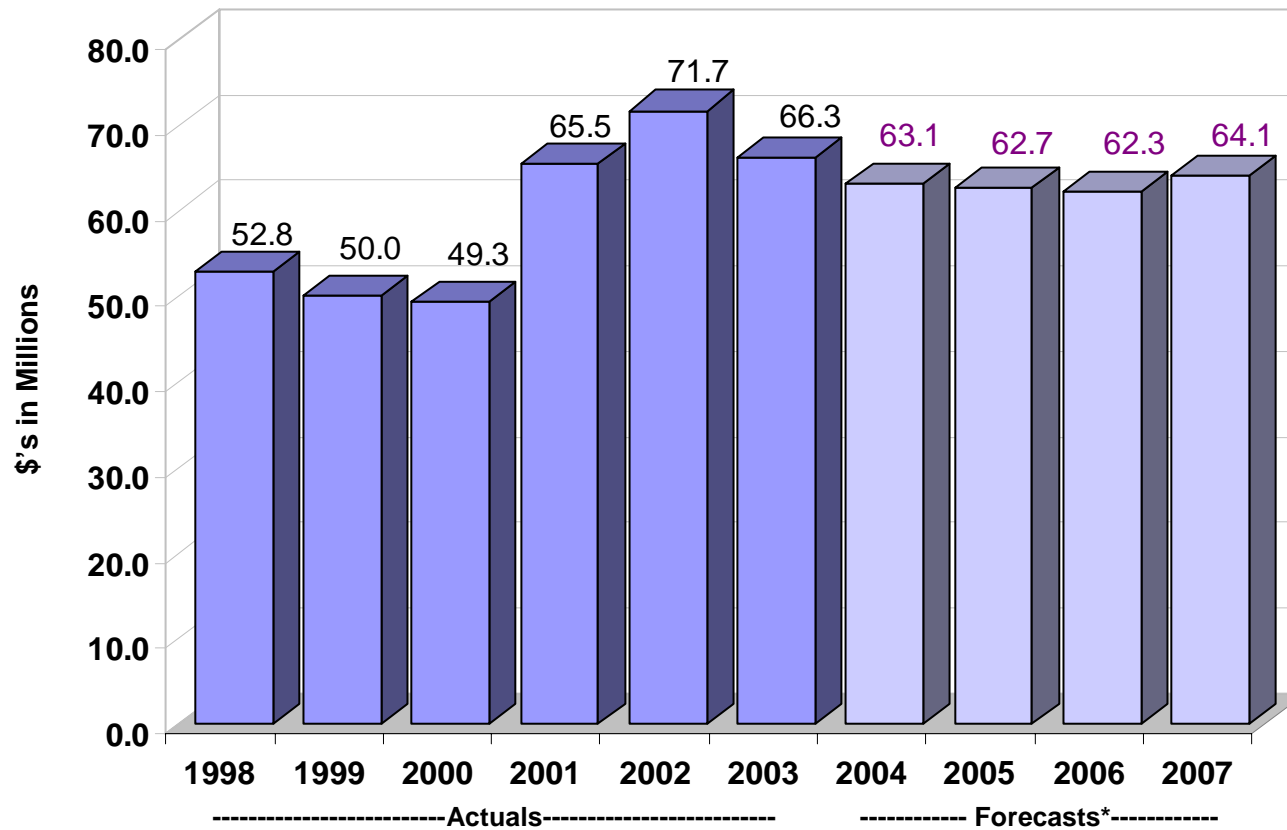
- BPA adopted the shared services model in 1998 as a means to more effectively manage certain internal operating costs.
- The shared services concepts support BPA's vision and goals by:
  - Ensuring support services are aligned with internal operational priorities, and agency and business line strategic direction;
  - Centering expertise and volume transactions (economies of scale);
  - Gaining efficiencies and reducing costs through common and standard service delivery processes.



# Shared Services – What They Do:

- Workplace Services provides:
  - building leases, building management and upgrades/maintenance
  - space planning and office moves
  - mail distribution and printing services
  - office equipment and supplies
- Personnel Services provides a full suite of HR services including:
  - recruiting and staffing services
  - benefits and processing
  - performance management and employee training
  - harassment-free work environment
- Information Systems provides:
  - network, server, internet, e-mail, and telephone services
  - computer/desktop and help desk services
  - computer applications and BES (BPA's ERP) maintenance and support services
  - records management, public information center, and special collection library

# Total Shared Services Costs



*Note: These are total Shared Services costs*

*Forecast costs have been made publicly available by BPA on 8/25/04 and are consistent with the 8/28/03 SN CRAC workshop*

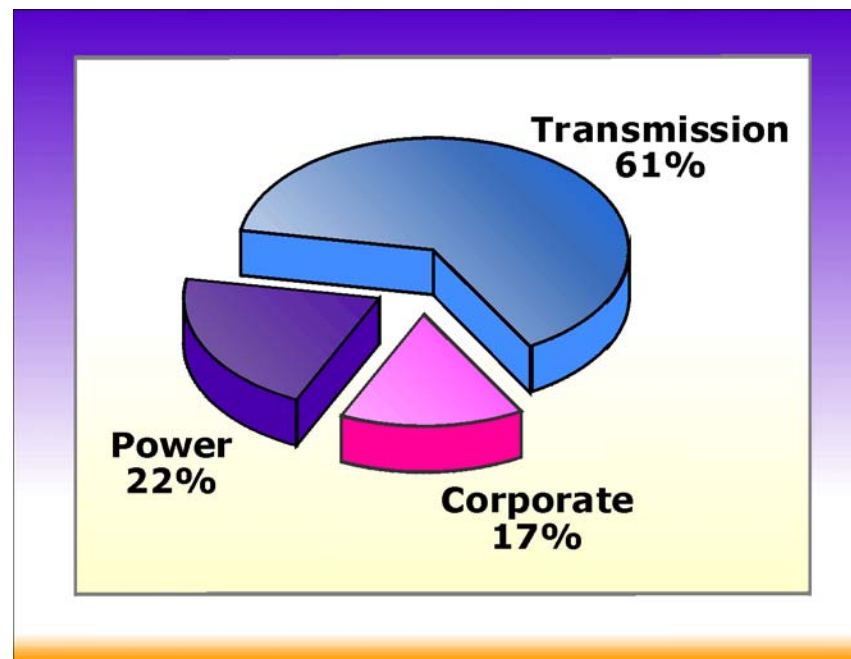
# Shared Services FTE

	Actuals			Forecasts			
	2001	2002	2003	2004	2005	2006	2007
<b>SS BFTE</b>	274	312	295	241	236	236	236
<b>SS CFTE</b>	123	135	131	111	111	111	111
<b>Total SS B/CFTE</b>	397	447	426	352	347	347	347

*Notes: These are total Shared Services FTE figures; TBL is about 61% of our volume and costs.  
 BFTE = Bonneville employee Full Time Equivalents  
 CFTE = on site Contractor Full Time Equivalents*

# Departments Served by Shared Services:

- Shared Services serves all elements of BPA.
- The following represents the distribution of service costs to BPA's Business Lines and Corporate:



*Note: Shared Services charges to Corporate are distributed back to the Transmission (50%) and Power (50%) Business Lines.*

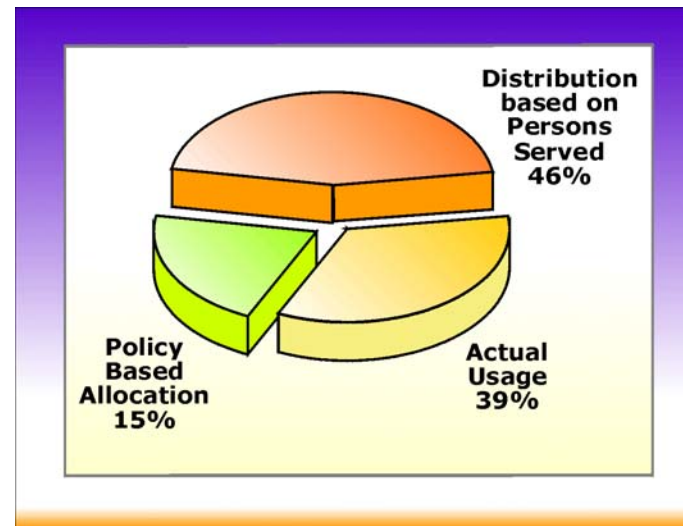


# How Shared Services Applies its Costs: Through 2004

Shared Services costs are distributed to the Business Lines using a combination of:

- Policy based allocations to the two revenue generating Business Lines, i.e.:
  - 70% TBL and 30% PBL for Enterprise Support (all expense)
  - 50% TBL and 50% PBL for Shared Service G&A
- Distributions based upon the number of persons (BFTE and CFTE) served
- Actual usage of services

*An estimate of the distribution of these recovery methods is shown in this chart*



# Shared Services Historical Costs to TBL: Detail by Functional Area

(\$'s millions)

		2001	2002	2003
FORECAST	Personnel Services	7.2	7.1	7.5
	Information Systems	17.1	17.9	19.4
	Workplace Services	12.9	18.0	15.0
	Purchasing Services	1.0	1.1	.1
	<b>TOTAL</b>	<b>\$ 38.3</b>	<b>\$ 44.1</b>	<b>\$ 42.0</b>
BILLINGS	Personnel Services	10.9	11.4	7.9
	Information Systems	15.4	20.4	21.0
	Workplace Services	6.8	13.4	10.4
	Purchasing Services	.2	.1	.1
	<b>TOTAL</b>	<b>\$ 33.4</b>	<b>\$ 45.3</b>	<b>\$ 39.4</b>

# Shared Services FY 01-04 Volumes:

## At the BPA Level; Representative Detail by Functional Area

						Client Satisfaction		
	2001	2002	2003	Projected 2004	Δ Volume Change '03 to '04	2001	2002	2003
<b>Personnel Services</b>						88%	92%	98%
Applications processed	6,000	11,800	6,200	8,000	↑ 29%			
Personnel actions	25,700	29,000	19,649	11,000	↓ 56%			
External training hours	46,584	32,186	24,794	17,000	↓ 69%			
Internal training hours	88,083	99,751	76,410	95,480	↑ 25%			
<b>Information Systems</b>						95%	91%	89%
HELP Desk requests	57,419	85,530	78,667	66,000	↓ 16%			
Calls to BPA operators	150,000	153,852	143,539	110,000	↓ 23%			
Servers supported	337	470	469	550	↑ 17%			
Desktops/Laptops supported	N/A	4,896	5,956	5,827	↓ 2%			
<b>Workplace Services</b>						95%	94%	94%
Mail Services: pieces processed	2.6 M	2.0 M	1.9 M	1.76 M	↓ 7%			
Printing Services: engineering drawings	8,441	20,636	59,960	61,000	↑ 2%			
Space Management: sq. ft. office space	625.4 K	766.2 K	770.5 K	785.0 K	↑ 2%			

Notes: These are overall Shared Services volumes; TBL is about 61% of our volume and costs.

# Shared Services FY 04-07 Forecasted

## Costs to TBL: Detail by Functional Area (approximate)

FORECAST (\$'s in Millions)		2004	2005	2006	2007
	<b>Personnel Services</b>	\$ 7.82	\$ 9.05	\$ 9.32	\$ 9.60
	Acquiring & Positioning	1.25	\$ 1.36	\$ 1.41	\$ 1.45
	Work Environment	1.43	1.57	1.62	1.67
	Learning Environment	1.09	1.49	1.53	1.57
	Benefits & Processing	4.05	4.63	4.77	4.92
	<b>Information Systems</b>	\$ 16.53	\$ 14.38	\$ 14.81	\$ 15.25
	Infrastructure	5.20	4.52	4.66	4.80
	Enterprise Systems	5.73	4.98	5.13	5.28
	Desktop Services	5.18	4.50	4.64	4.78
	Information Services	.43	.37	.38	.39
	<b>Workplace Services</b>	\$ 13.15	\$ 13.30	\$ 13.69	\$ 14.11
	Facilities Management	2.04	2.04	2.10	2.16
	Office Services	.66	.66	.68	.71
	Mail Services	.38	.38	.39	.40
	Printing Services	.46	.46	.47	.48
	Office Supplies/Equipment	.64	.64	.66	.68
	Space Management	1.36	1.36	1.40	1.45
	Operations & Planning	.42	.42	.44	.45
	Commercial Lease Mgmt.	7.18	7.33	7.55	7.77
	<b>TOTAL</b>	\$ 37.50	\$ 36.73	\$ 37.83	\$ 38.96

Notes: Numbers are rounded.

FY 2005 and beyond: Information Systems will be reflected in Corporate costs.

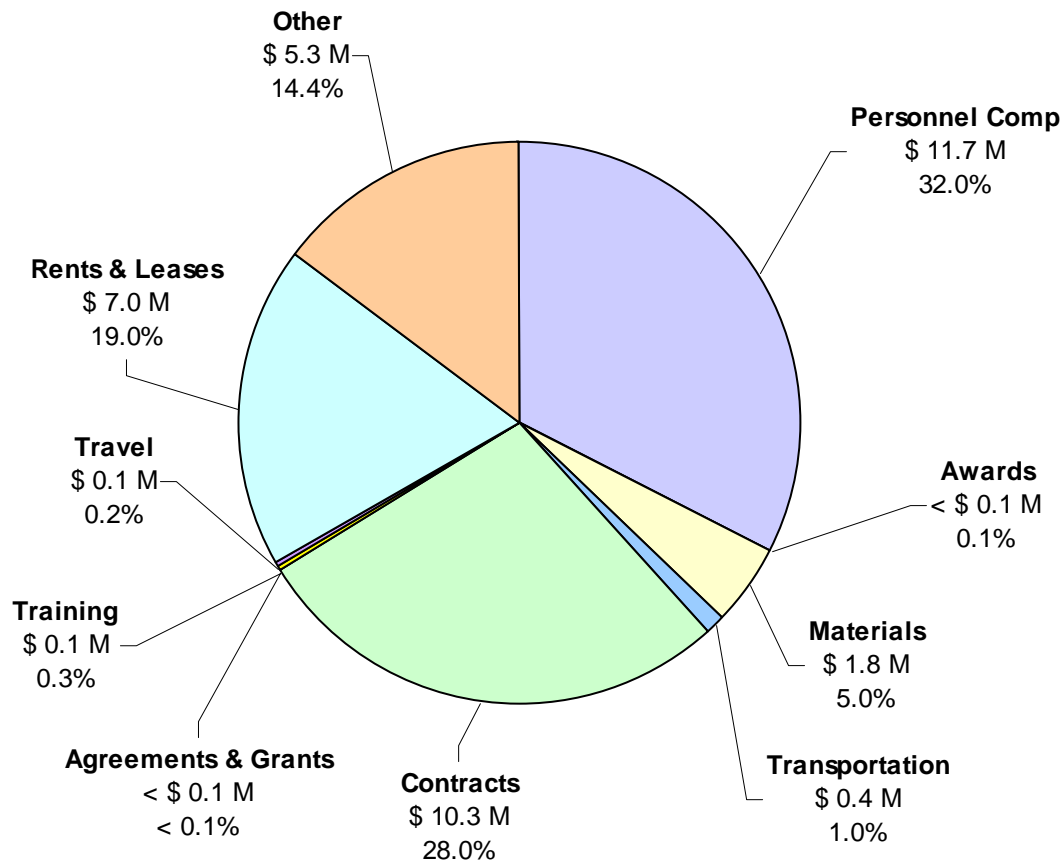
Expense costs from Shared Services are applied, by TBL, into both capital (about 30%) and expense (about 70%) categories.

This information has been made publicly available by BPA on 8/25/04 and is consistent with the 8/28/03 SN CRAC workshop.

# Shared Services FY 05 Forecasted

## Costs to TBL: \$36.7M

### Detail by Category (approximate)



"Other" includes 'communications, utilities, and other expenses,' such as:

- OWCP
- cell phones and pagers
- C-Tran

# Shared Services Cost-Reduction Activities:

**Shared Services costs to TBL have been reduced by \$7.8\* million since 2002**

**2002 charges: \$45.3M**

**2004 forecast: \$37.5M**

\* includes Purchasing Services costs reorganized to TBL Supply Chain effective 2004

**This was accomplished by following a 2-pronged approach:**

**Reduced cost of delivering service by:**

- ✓ Reduced planning/analysis/clerical support staff
- ✓ Reduced training, travel, supplies/equipment
- ✓ Reduced contracts
- ✓ Instituted a hiring freeze
- ✓ Reduced awards

**Reduced services provided to TBL, e.g.:**

- ✓ Longer response time (computer help response).
- ✓ Reduced help desk support hours
- ✓ Reduced recruitment
- ✓ Limited outside training
- ✓ Reduced supplies/equipment/subscriptions
- ✓ Limited moves/office reconfigurations/furniture
- ✓ Reduced mailing/printing services
- ✓ Building upgrades eliminated/significantly reduced
- ✓ Reduced upgrades/support to enterprise system

# Shared Services Costs to TBL: Conclusions

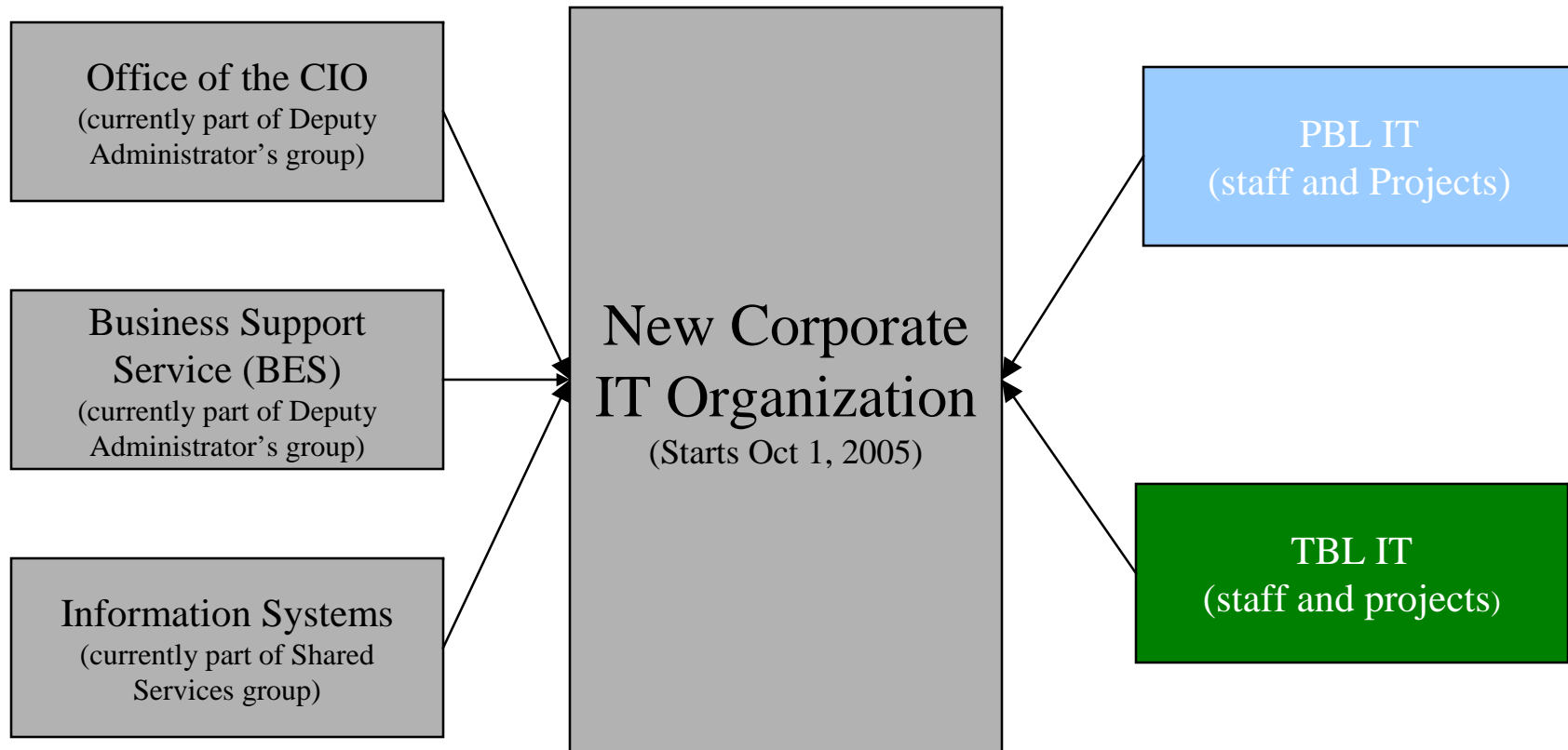
- Shared Services costs and FTE are flat and trending downward.
- Shared Services costs are dependent on client requirements.
- Shared Services and TBL work closely to manage the costs together:
  - Standard reporting monthly to clients;
  - Monthly meetings with clients on business requirements, projects, and costs;
  - Estimate costs for new work, negotiate what can be shifted or eliminated;
  - Process improvements internal to Shared Services to deliver services for lower cost;
  - Proactive innovation in delivering services.

# Looking Forward

- One-BPA
- IT Consolidation
- KEMA



# Consolidation of Information Technology



# Consolidation of Information Technology

- With the current IT Consolidation efforts underway, allocations were developed for the IT function costing and costing methodologies.
- Expense Allocations:
  - OCIO front office and administrative functions – separate cost pool distributed based on 50/50 assignment to BL's. Previously part of the G&A Executive Cost Pool.
  - BES function – separate cost pool distributed based on a 30/70 assignment to BL's (30% – PBL and 70% TBL). Previously part of the BES Cost Pool.
  - IT services/functions – separate cost pools based on measurable deliveries with cost assignments based on cost drivers for delivering those services/functions. Previously part of the Shared Services organization that was billed based on measurable deliverables.
  - BL support functions – separate cost pools specific to each BL, that is distributed 100% to each BL. Previously specific to the BL's and assigned directly within the BL's.
- Capital Assignment:
  - BL specific projects will be assigned to the BL's.